



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
CHARLES J. KROGMEIER, DIRECTOR

INFORMATIONAL LETTER NO. 828

July 31, 2009

TO: Chief Financial Officers (CFO's) of Hospitals qualifying to receive Medicaid Disproportionate Share (DSH) Payments

FROM: The Iowa Department of Human Services, Iowa Medicaid Enterprise

RE: Independent Audits of DSH Payment Programs

Section 1923(j) (2) of the Social Security Act (the Act) requires States to have their Medicaid DSH programs independently audited each year. Iowa Medicaid has contracted with the Office of the Auditor of State (AOS) to perform this audit.

This is an audit that is required to be conducted annually. The first audit will be conducted over the next several months and will cover the DSH programs applicable for payments that were received in state fiscal years 2005 and 2006 (July 1, 2004 through June 30, 2006). The audit report must be completed and submitted to the Centers for Medicare and Medicaid Services (CMS) by December 31, 2009.

Future audits will consist of DSH payments paid for state fiscal year 2007 and ongoing. The audits will be conducted during this (same) approximate time each year and the audit reports are due to CMS by December 31st of each year.

The audit will verify:

- ✓ The extent to which hospitals reduced uncompensated care costs to reflect the total expenditures claimed under section 1923 of the Act;
- ✓ That DSH payments to each hospital complied with the applicable hospital-specific limit;
- ✓ That only the uncompensated care costs of providing inpatient and outpatient hospital services to Medicaid-eligible and uninsured individuals as described in section 1923(g)(1)(A) of the Act were included in the calculation of the hospital-specific limits;
- ✓ That all Medicaid payments, including supplemental payments, were included in the calculation of the hospital-specific limits; and
- ✓ That there is separate documentation and records being retained of (1) all costs under the Medicaid program, (2) expenditures claimed under the Medicaid program, (3) uninsured costs used to determine payment adjustments under section 1923 of the Act, and (4) any payments made on behalf of the uninsured from payment adjustments under Section 1923 of the Act.

The Iowa Medicaid Enterprise (IME) will make information and documentation available to the AOS that is being maintained at the IME (i.e. Medicaid costs and Medicaid expenditures). However, the IME doesn't regularly collect some of the information, such as specifics on uncompensated care costs. In order for the AOS to fulfill its audit obligation, their staff will either be performing on-site visits or requesting that you send in documentation for them to audit, for items on the list (above) that must be verified.

The AOS is tentatively scheduling fieldwork August 1, 2009 through October 31, 2009 and will be contacting you with a request for various supporting financial information related to this audit. They will be available to answer your questions at that time. Actual site visits, if applicable, will be arranged following this initial contact.